



Economic Update

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Where we started from

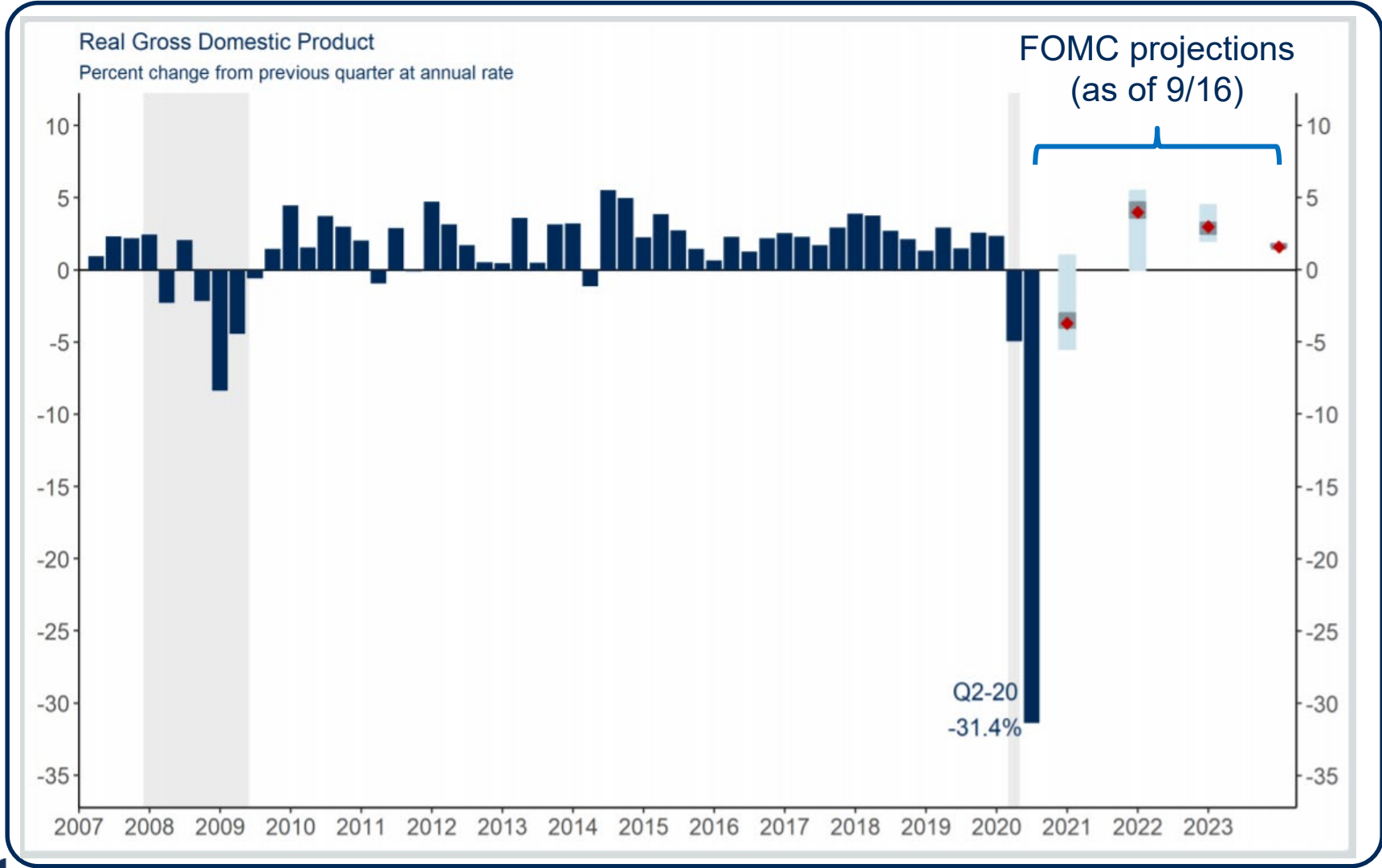
The Pre-Virus Economy

- GDP growth steady
 - Very strong consumer
 - Some softness in business investment
- Banks were healthy
- Tightest labor market in 50 years
 - Helps people on the fringes of the labor market
 - Worker shortages

COVID hit U.S. directly in mid-March, although supply chain frictions started earlier

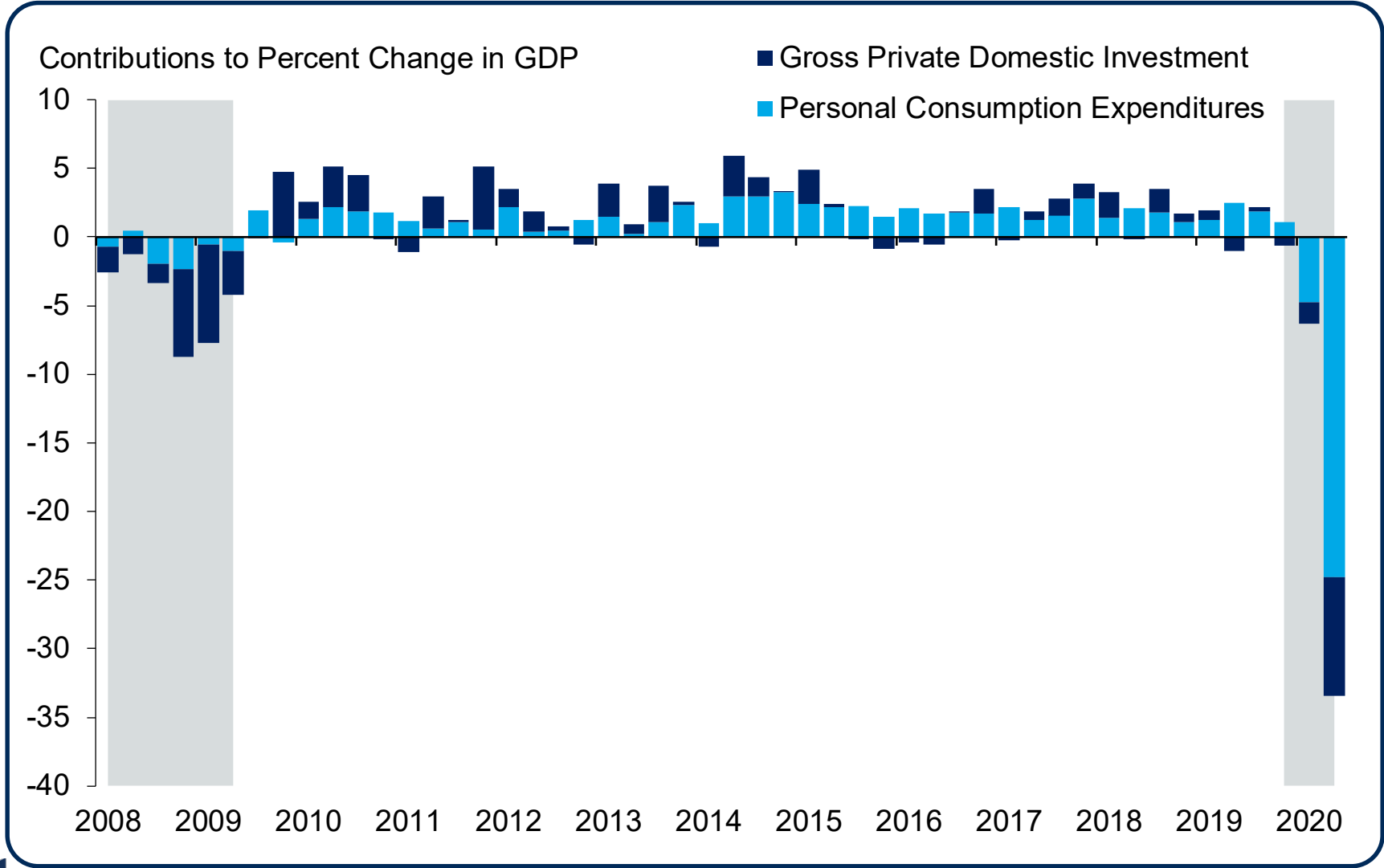
- **Giant, abrupt declines across the board since mid-March**
 - Around 64 million new claims for unemployment insurance
 - Went from tightest labor market in 50 years to record unemployment – in two months
 - GDP fell 31.4% (annual rate) in the second quarter
- We've seen a sharp bounce back, but still far from recovering COVID losses
- And lots of disparity (by sector, race, gender, income, etc.)

Stunning declines in GDP - our broadest measure



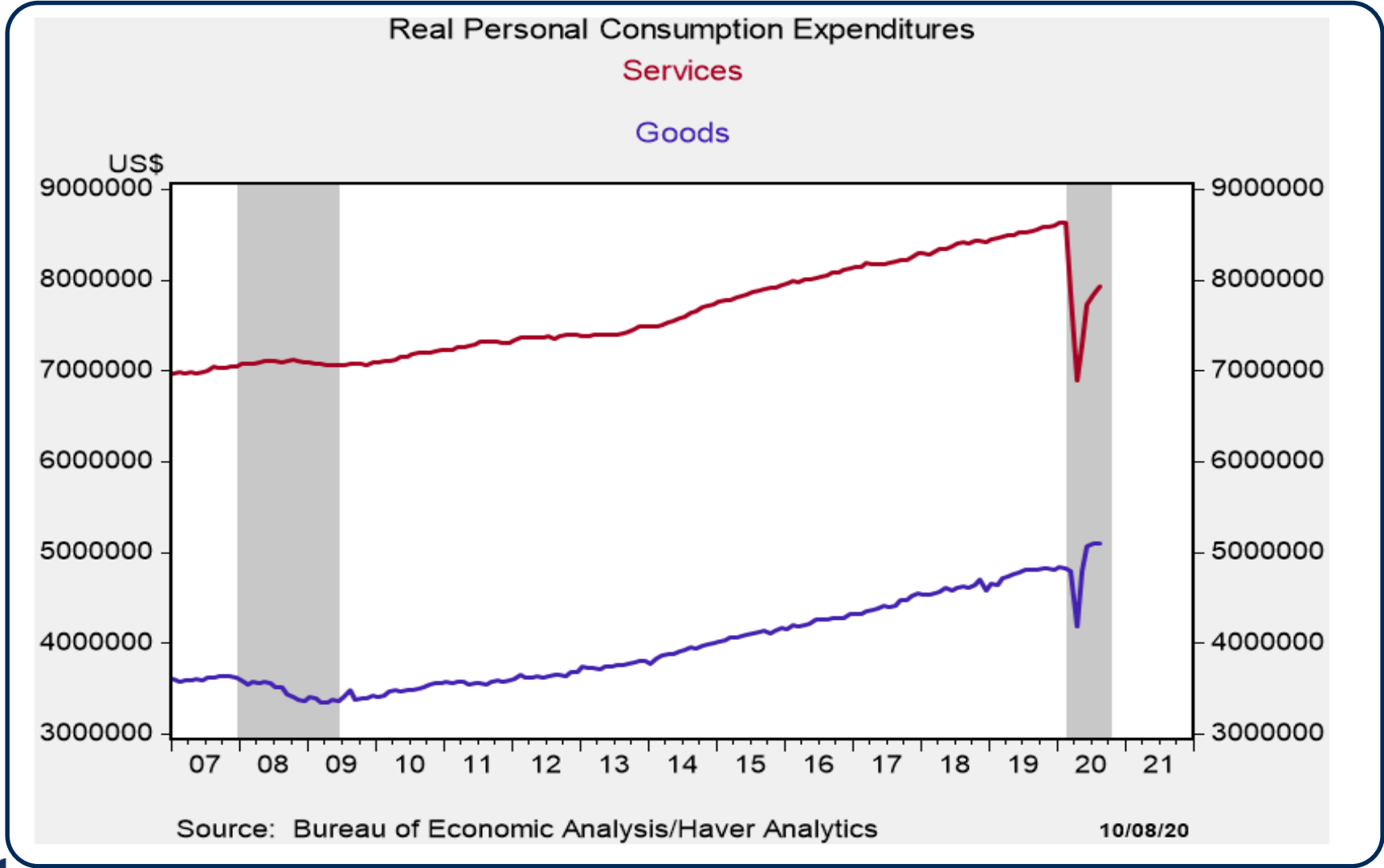
Source: Bureau of Economic Analysis, Haver Analytics, Board of Governors

Downturn was led by consumption (that's unusual)



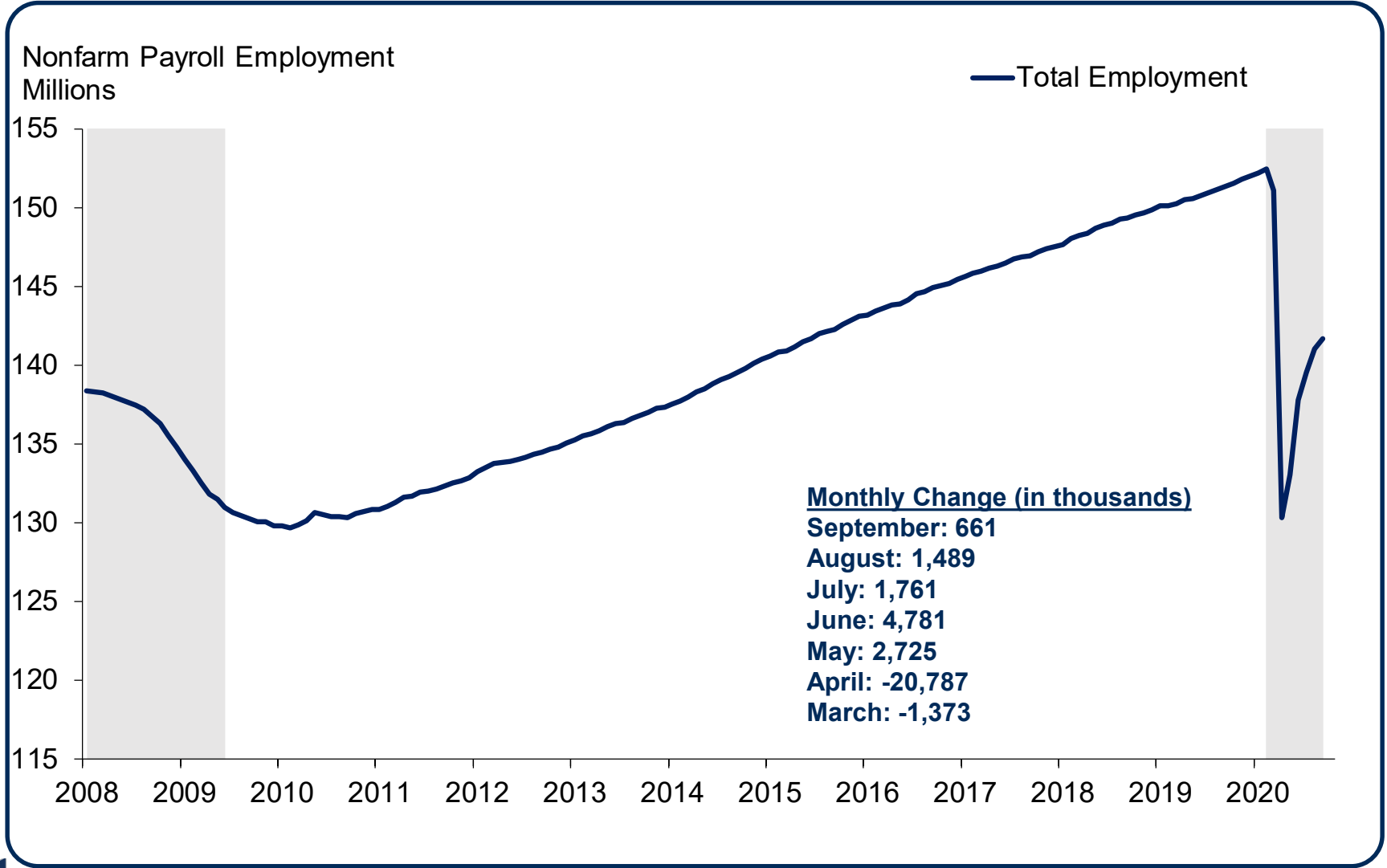
Source: Bureau of Economic Analysis via Haver Analytics

Spending on services hit hard, and still far below pre-COVID



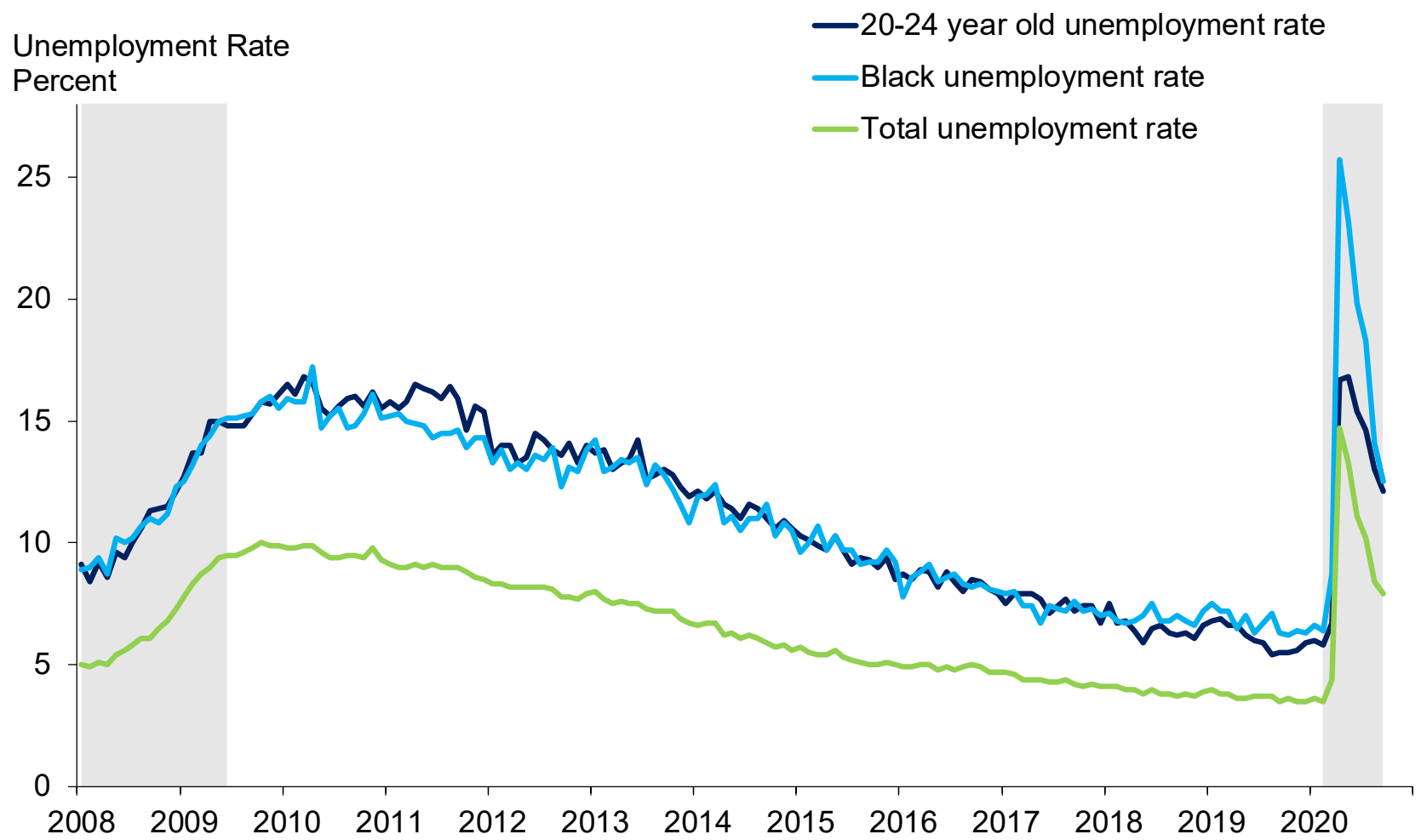
Source: Bureau of Economic Analysis via Haver Analytics

Huge job gains since May – but we’ve still recovered less than half of COVID job losses



Source: Bureau of Labor Statistics/Haver Analytics

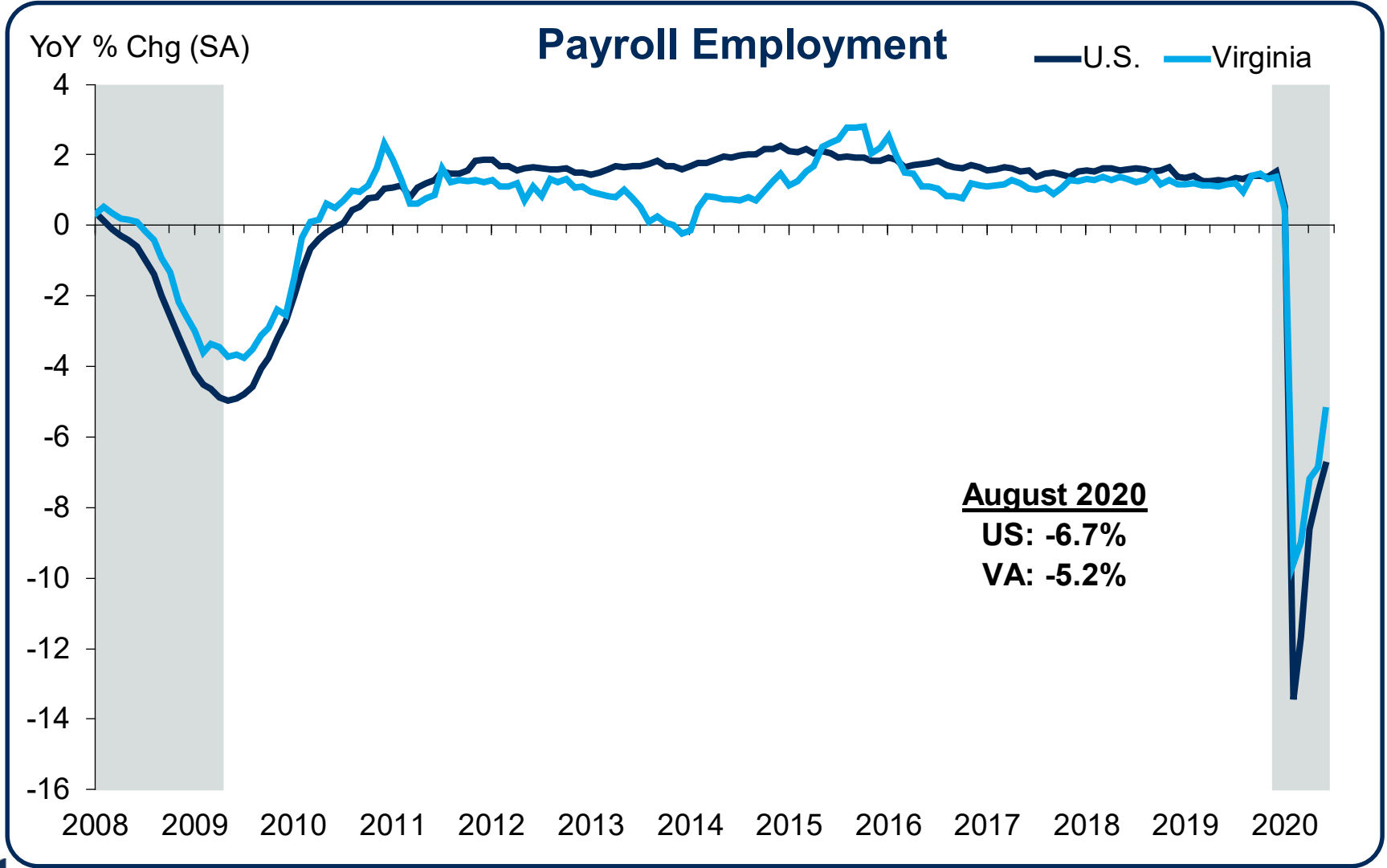
Certain demographic groups hit harder



Source: Bureau of Labor Statistics/Haver Analytics

Virginia

Virginia lost fewer jobs than the U.S.

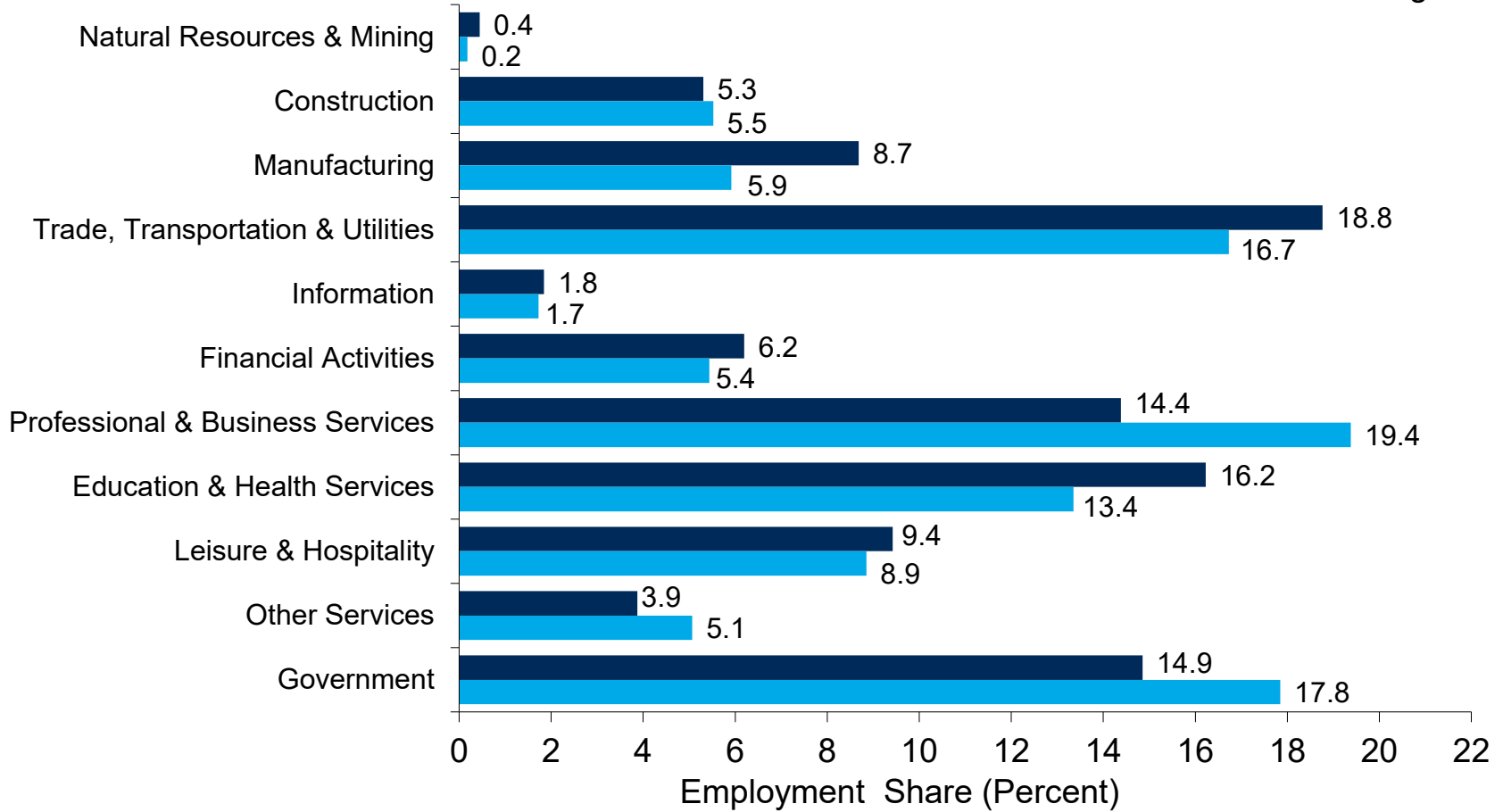


Source: Bureau of Labor Statistics/Haver Analytics

What drives our economy?

August 2020

■ U.S.
■ Virginia

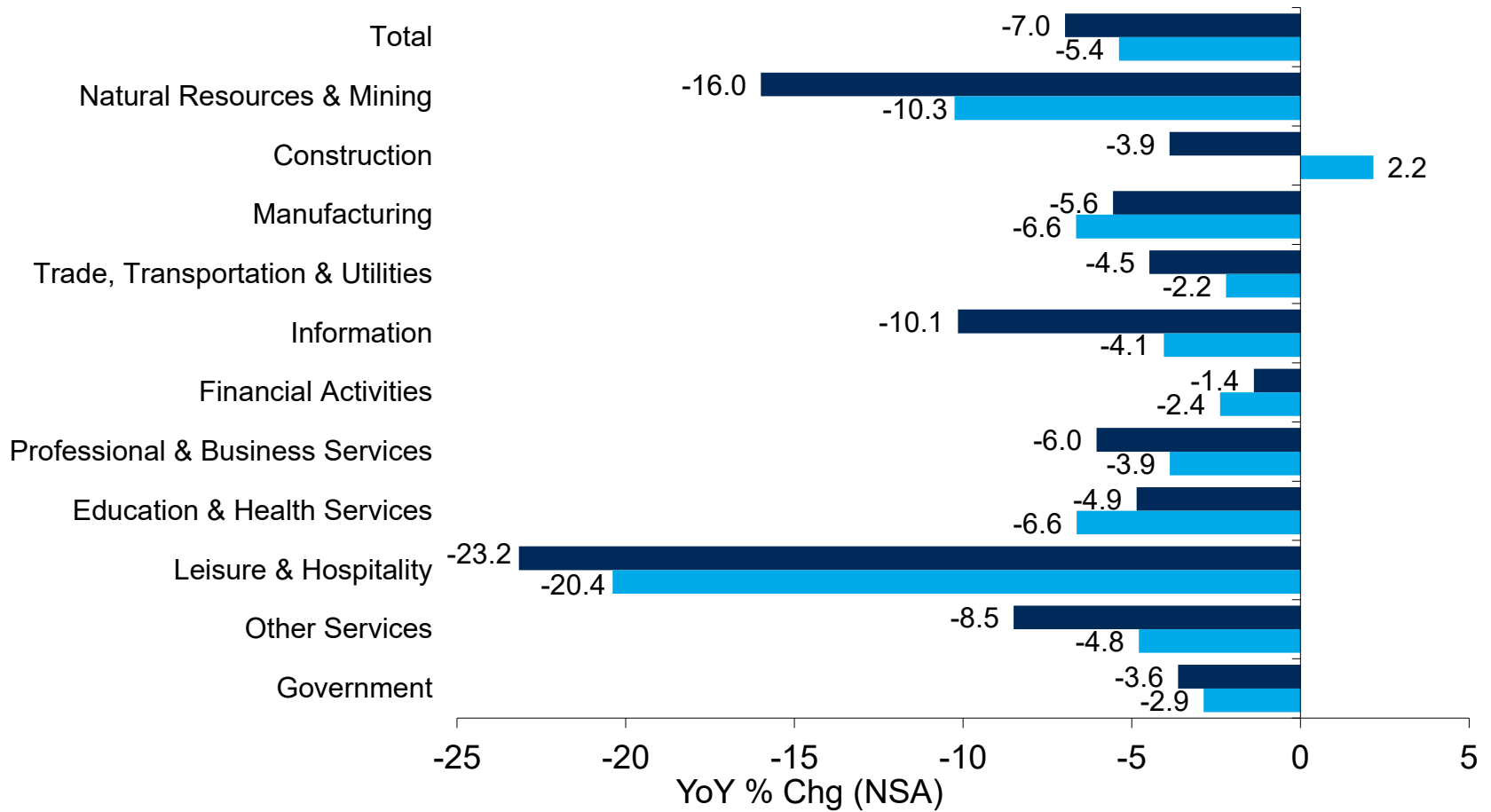


Source: Bureau of Labor Statistics/Haver Analytics

Job losses: Largest where you'd expect

August 2020

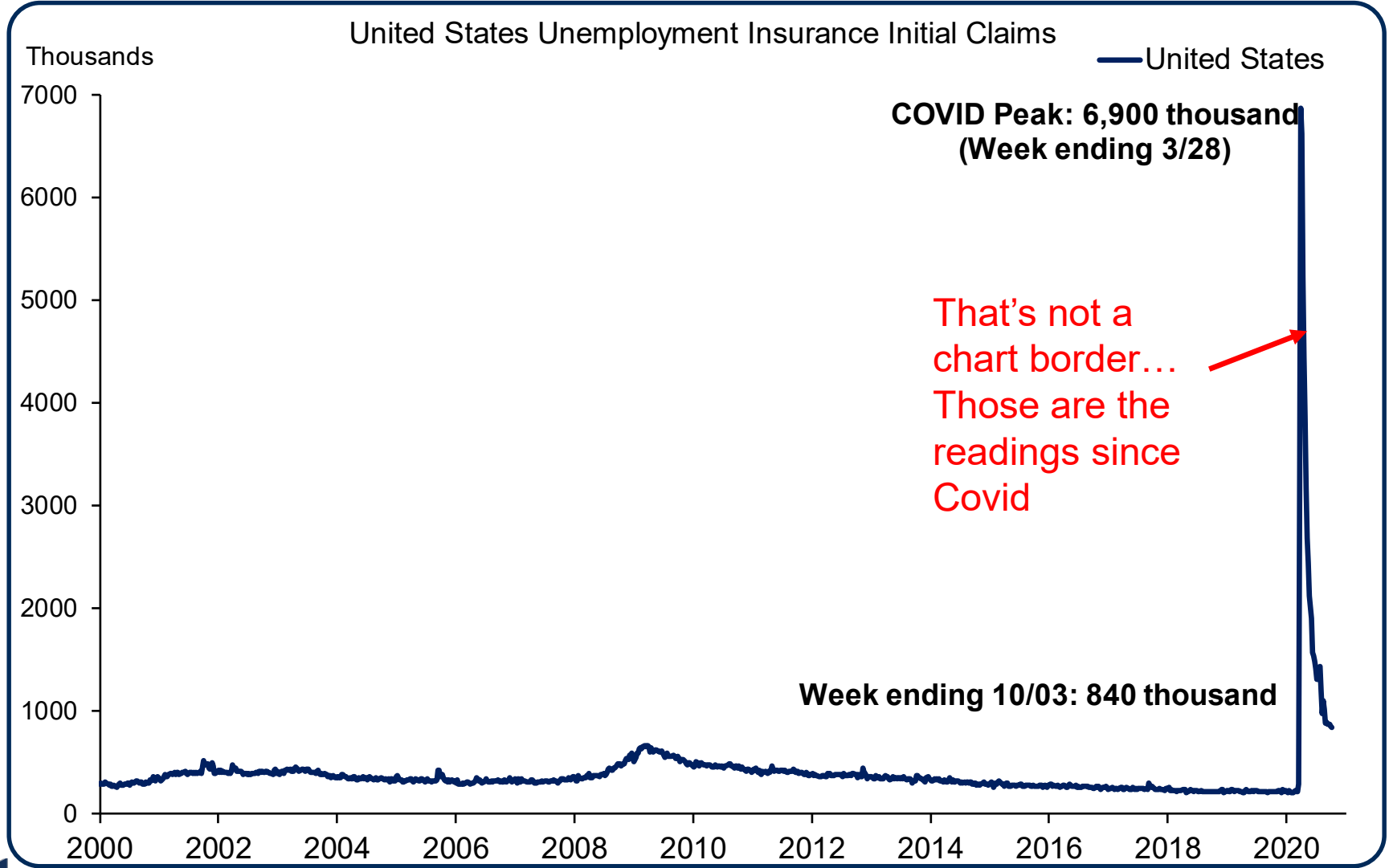
■ U.S. ■ Virginia



Source: Bureau of Labor Statistics/Haver Analytics

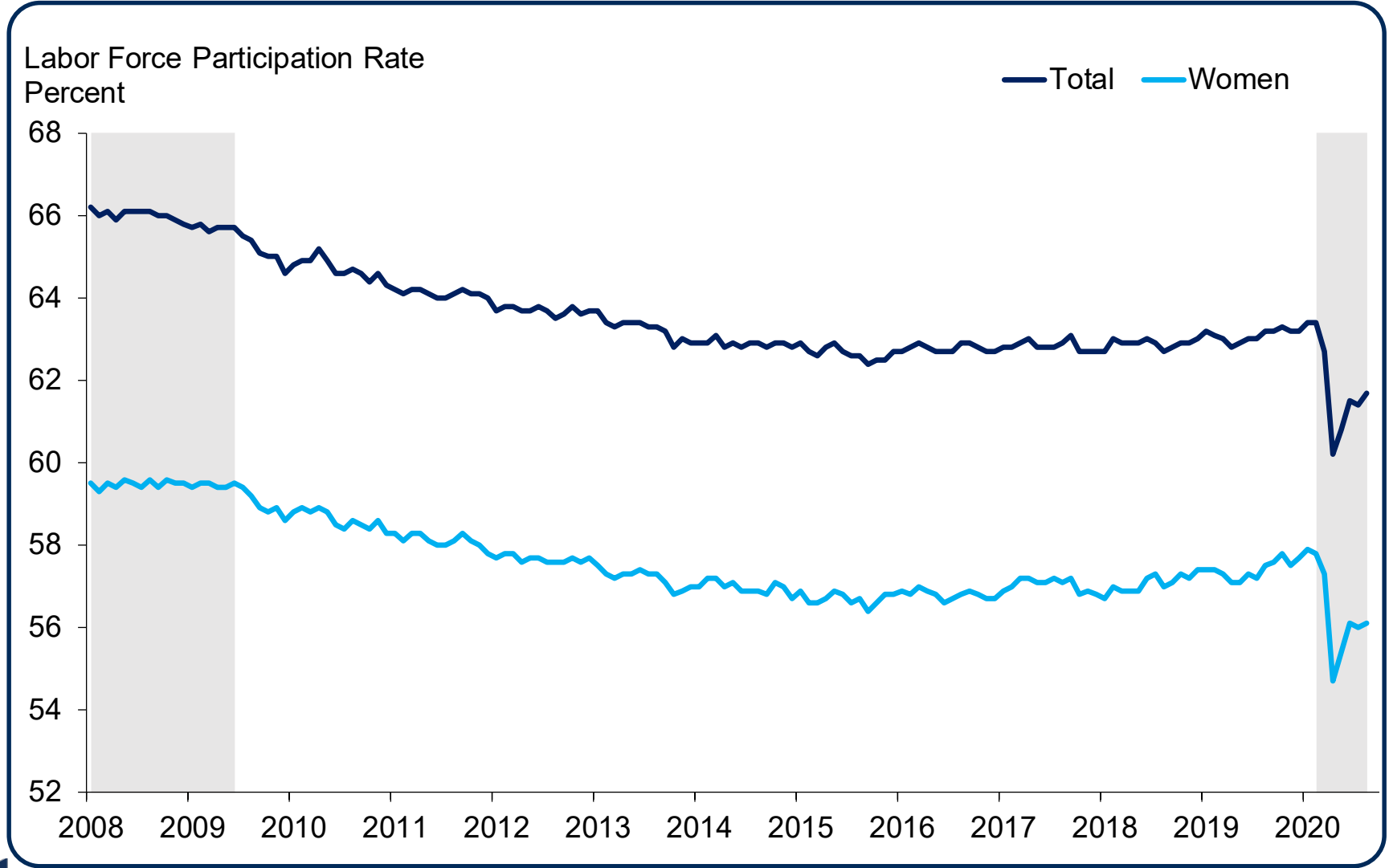
Some things I'm watching

When will new unemployment claims come down?



Source: Department of Labor/Haver Analytics

When will labor force participation recover – and for whom?



Source: Department of Labor/Haver Analytics

Still some dry powder – when will consumers spend it?



Source: Bureau of Economic Analysis via Haver Analytics

Where do we go from here?

- High-frequency indicators suggest the recovery flattened some as cases resurged this summer
- Two big unknowns...
 - Fiscal policy
 - The virus itself
- ... layered upon many unknowns about how the economy will respond
 - How quickly will consumers return?
 - What level of activity do we recover to?
 - Will the recovery be evenly shared? (The dreaded K-shaped recovery...)



Questions/Comments?
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